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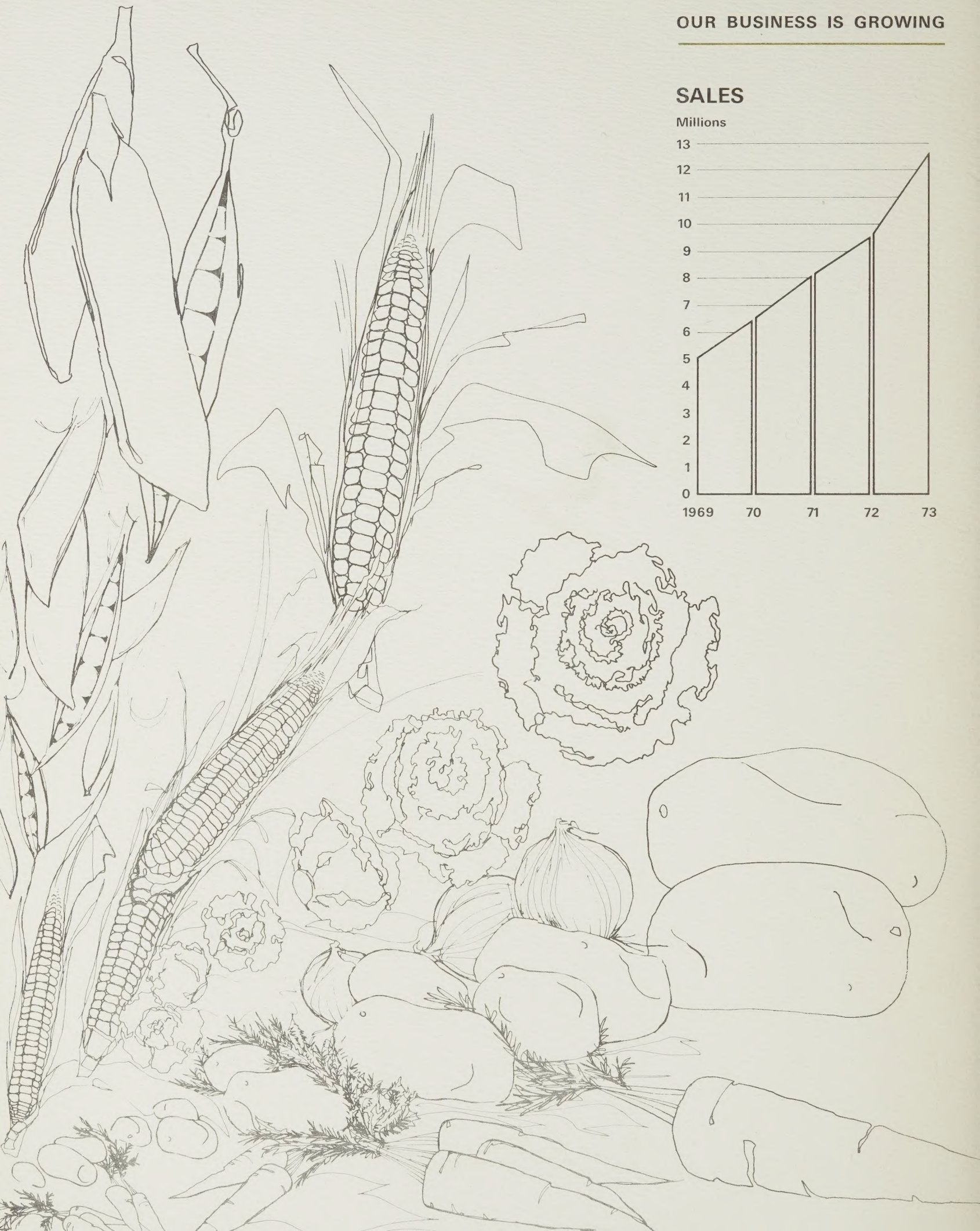
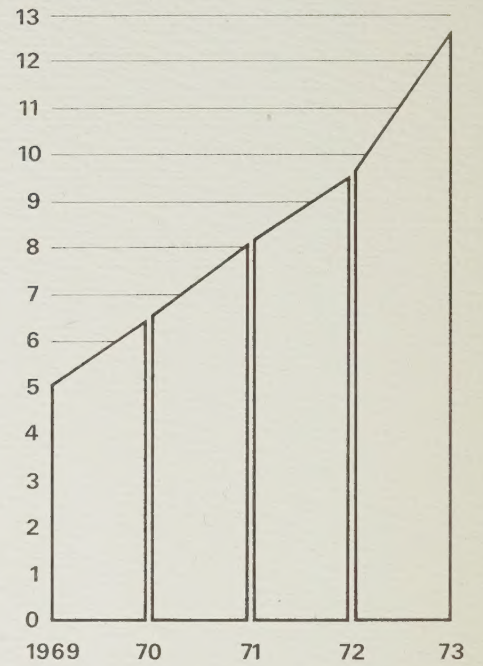
**HARDEE FARMS
INTERNATIONAL LTD.
15th Annual Report
For the
Fiscal Year Ended
June 2, 1973**



OUR BUSINESS IS GROWING

SALES

Millions





FIVE YEAR REVIEW

	1969	1970	1971	1972	1973
	\$	\$	\$	\$	\$
OPERATING RESULTS					
Sales - - - - -	5,018,567	6,477,479	8,108,437	9,541,600	12,687,593
Cost of sales and other expenses - - - - -	4,615,101	5,929,569	7,165,096	8,524,983	11,261,689
Depreciation - - - - -	81,131	106,812	169,836	185,694	225,297
	4,696,232	6,036,381	7,334,932	8,710,677	11,486,986
Earnings from operations before interest - -	322,335	441,098	773,505	830,923	1,200,607
Interest - - - - -	309,031	295,765	429,707	427,586	491,289
Earnings before non-recurring items and provision for income taxes - - - - -	13,304	145,333	343,798	403,337	709,318
Non-recurring items - - - - -	—	—	122,851	18,156	—
Provision for income taxes - - - - -	—	(83,000)	(238,500)	(210,000)	(325,000)
Earnings for the year before extraordinary items	13,304	62,333	228,149	211,493	384,318
Extraordinary items - - - - -	(303,364)	72,312	233,923	203,665	480,060
Net earnings (loss) for the year - - - - -	(290,060)	134,645	462,072	415,158	864,378

EARNINGS PER SHARE

Earnings before non-recurring items and provision for income taxes - - - - -	.3¢	2.1¢	6.9¢	8.3¢	15.4¢
Earnings for the year before extraordinary items	.3¢	.6¢	4.7¢	3.8¢	8.3¢
Net earnings (loss) for the year - - - - -	(7.1¢)	1.8¢	9.8¢	8.6¢	18.8¢
Total Shares Outstanding - - - - -	4,076,436	4,090,435	4,115,102	4,128,436	4,602,728

HARDEE FARMS INTERNATIONAL LTD.

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ANNUAL MEETING

The Annual Meeting of Shareholders will be held in Salon 'C', of the Sutton Place Hotel, 955 Bay Street, Toronto, Ontario at 11:00 o'clock in the forenoon on Thursday, September 27, 1973.

**BOARD OF DIRECTORS**

D. G. Berry	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
*D. E. Foyston	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
C. H. Franklin	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
**F. D. Lace	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
*J. A. McKechnie	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
E. R. S. McLaughlin	-	-	-	-	-	-	-	-	-	-	-	-	-	Oshawa
R. A. McNair	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
*D. L. Sinclair	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
A. W. Walker	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto

Audit Committee Chairman (**) and Members (*)

EXECUTIVE OFFICERS

C. H. Franklin	-	-	-	-	-	-	-	-	-	-	-	-	-	Chairman of the Board and Chief Executive Officer
A. W. Walker	-	-	-	-	-	-	-	-	-	-	-	-	-	President
W. Ross Abbott	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice President Corporate Affairs, Secretary
N. E. Collings	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice President Fresh Produce Division
R. E. Richards	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice President Frozen Foods Division
S. D. Somers	-	-	-	-	-	-	-	-	-	-	-	-	-	Treasurer

AUDITORS

Coopers & Lybrand (formerly McDonald, Currie & Co.)	-	Toronto
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SOLICITORS

Fasken & Calvin	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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BANKERS

The Royal Bank of Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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REGISTRAR AND TRANSFER AGENT

The Canada Trust Company	-	Toronto, Montreal and Winnipeg
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EXECUTIVE OFFICES

931 Yonge Street	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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REPORT TO SHAREHOLDERS

Your Company's financial strength increased considerably during the fiscal year ended June 2, 1973.

Sales of \$12,687,593 were the highest in Hardee's history, recording a 33% increase over the total of \$9,541,600 attained in the preceding twelve months.

Operating profit of \$709,318 or 15.4¢ per share for 1973 compares with \$403,337 or 8.3¢ per share realized in fiscal 1972. Net earnings after minor income taxes and items of extraordinary income amount to \$864,378 or 18.8¢ per share compared with \$415,158 or 8.6¢ per share for the previous year. Reference to the financial statements will indicate the results had the Company been fully taxable.

As a consequence of the financial reorganization described in the accompanying financial statements (Note 11), together with subsequently negotiated revisions in long term debt, Hardee's working capital improved by \$3,170,956 during the year, and an accumulated deficit of \$6,346,858 resulting from losses which arose from operations prior to 1969 was eliminated, along with the liability for arrears of dividends of \$597,870 on first preferred shares. It is a pleasure to note the significant effect of this major restructuring in this the fifth annual report issued since Algonquin Building Credits Limited became associated in the ownership and direction of Hardee. For the first time in many years your Company now reports a favourable year-end balance in both Working Capital—\$611,903 and Retained Earnings—\$827,248.

Another favourable element in assessment of your Company's year-end position is the fact that deduc-

tions of approximately \$2,400,000 remain to be claimed before significant income tax liability will be recorded in respect of Hardee's future earnings.

Among the noteworthy events of the 1973 fiscal year was Hardee's entry into an entirely new market area with the acquisition of Freeze-Dry Foods Limited and its modern plant and processing facilities at Oakville, Ontario. With 60-90% of their weight removed, freeze-dried products store indefinitely without refrigeration, yet regain their original appearance, flavour, and texture, when rehydrated. Freeze-dried meats and vegetables from the Oakville plant are used extensively in camp foods and in convenience soups, sauces, and dinner mixes. Your Company is continuing as rapidly as possible the expansion of facilities to accommodate Freeze-Dry's own developed line of instant recreational-type foods, the latest of which require only the addition of a cup of hot water to become a delicious meal.

With the opening in the 1972 growing season of a complete new vegetable processing, freezing, and cold storage plant near Ingersoll, Ontario, Hardee more than doubled its frozen vegetable productive capacity. Production from this new facility was limited during the past season but continuing strong demand for your Company's products indicates capacity operation of this new plant by 1974. Processing of french fried potatoes on the line installed at Lambeth late in 1971 was increased during the past year and production at full capacity will be achieved this year.

The addition of further frozen vegetable and french fried potato production capacity is substantially tied to ecological considerations related to disposal of



by-products resulting from these processing operations. Following extensive review your Company has initiated steps toward sale for the first time of such secondary materials as valuable and, in view of present world shortages, much needed ingredients for the balanced feeding of cattle and other livestock. The success of this program will be a factor in the establishment and location of additional production facilities.

Operating profits from the Bradford frozen french fry production, organic soil farming, and fresh produce packing operations, combined to represent a significant factor in the consolidated results of the past year. This in part reflects the fact that strong demand for basic food items in North America has raised the agricultural producer's position in the economy to a level more commensurate with other elements.

Your Company recently acquired exclusive rights under Canadian patents covering vacuum processing of unrefrigerated, long shelf life, prepared, cooked, vegetable and meat products in oxygen-proof plio-film bags. Hardee's affiliate, Federal Diversiplex Limited, will also be entitled to the use of this process and an initial production line will be established at Federal's Bradford plant this fall.

Operations of Federal Diversiplex Limited for the year ended March 31, 1973, resulted in a loss of \$25,476 as compared with a loss of \$141,947 in the preceding year. With the introduction of new products and other changes at Federal continued improvement is anticipated.

During the year Hardee retired first mortgage obligations of \$589,725 and repaid to Algonquin

Building Credits Limited the sum of \$320,000 being the net proceeds from Florida land sale agreements for the period. Subsequent to June 2, 1973, a transaction covering sale of the Company's 305 acre citrus grove was authorized and the anticipated cash proceeds of \$350,000 on closing will be applied against long term debt and a related mortgage for \$200,000 will be added to the portfolio of mortgages receivable. On completion of this sale all of Hardee's Florida lands will have been sold or committed under lease-option agreements.

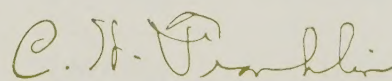
On January 1, 1973, your Board unanimously approved the appointment of Mr. A. W. Walker, long term Executive Vice President of the Company, to the Board of Directors. Simultaneously, Mr. Walker was elected President of Hardee.

Elimination of the Preferred Share classes resulted in three automatic Director vacancies during the year. Messrs. D. G. Berry and J. A. McKechnie have continued as Directors and Mr. L. G. Wynnickyj, whose services have been deeply appreciated, retired in favour of Mr. A. W. Walker.

Your Directors express their appreciation for the consistent and loyal support of all employees and with their conscientious efforts we expect further success and continued growth in the year ahead.

Respectfully submitted
on behalf of the Board

Toronto, Ontario
August 9, 1973


Chairman and Chief Executive Officer

HARDEE FARMS INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEET AS AT JUNE 2, 1973

ASSETS

	1973 \$	1972 \$
CURRENT ASSETS		
Cash - - - - -	—	40,989
Accounts receivable, less provision for doubtful accounts - - - -	1,164,023	831,298
Inventories (note 4) - - - - -	1,373,592	1,124,589
Current portion of mortgages receivable (note 5) - - - - -	41,471	21,962
Prepaid crop and other expenses - - - - -	315,217	207,161
	<u>2,894,303</u>	<u>2,225,999</u>
INVESTMENTS—at cost		
Shares (note 6) - - - - -	722,039	722,039
Mortgages receivable and agreement for sale, less current portion (note 5) - - - - -	894,122	1,880,594
	<u>1,616,161</u>	<u>2,602,633</u>
ASSETS HELD FOR SALE (note 7) - - - - -	2,259,868	2,273,513
FIXED ASSETS (note 8) - - - - -	3,999,675	3,255,796
EXCESS OF PURCHASE PRICE OF SHARES OF SUBSIDIARIES OVER BOOK VALUE THEREOF - - - - -	854,015	854,015
	<u>11,624,022</u>	<u>11,211,956</u>

Signed on Behalf of the Board

C. H. FRANKLIN, *Director*

F. D. LACE, *Director*



LIABILITIES

	1973 \$	1972 \$
CURRENT LIABILITIES		
Bank advances (note 9) - - - - -	1,133,520	1,925,440
Accounts payable and accrued liabilities - - - - -	837,340	654,077
Current instalments of long-term debt (note 10) - - - - -	311,540	228,535
Note payable to Algonquin Building Credits Limited—secured by collateral mortgages - - - - -	—	1,977,000
	<u>2,282,400</u>	<u>4,785,052</u>
LONG-TERM DEBT, less current instalments (note 10) - - - - -	4,633,658	1,833,208
	<u>6,916,058</u>	<u>6,618,260</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 11)

Authorized—

40,250 first preferred shares of the par value of \$100 each,
issuable in series

6,000,000 common shares of no par value

Issued and fully paid (note 11)

6½% cumulative first preferred shares Series A, re-deemable at \$120 per share - - - - -	—	919,800
second preferred shares - - - - -	—	51,400
4,602,728 common shares - - - - -	3,880,716	9,969,354
RETAINED EARNINGS (DEFICIT) - - - - -	827,248	(6,346,858)
	<u>4,707,964</u>	<u>4,593,696</u>
	<u>11,624,022</u>	<u>11,211,956</u>

HARDEE FARMS INTERNATIONAL LTD.**CONSOLIDATED STATEMENT OF EARNINGS**

For the year ended June 2, 1973

	1973 \$	1972 \$
SALES - - - - -	12,687,593	9,541,600
COST OF SALES AND OTHER EXPENSES - - - - -	11,261,689	8,524,983
DEPRECIATION - - - - -	225,297	185,694
	<u>11,486,986</u>	<u>8,710,677</u>
EARNINGS FROM OPERATIONS BEFORE INTEREST - - - - -	1,200,607	830,923
INTEREST - - - - -	491,289	427,586
EARNINGS BEFORE NON-RECURRING ITEM AND PROVISION FOR INCOME TAXES - - - - -	<u>709,318</u>	<u>403,337</u>
Per common share - - - - -	15.4¢	8.3¢
NON-RECURRING ITEM - - - - -	<u>—</u>	<u>18,156</u>
	709,318	421,493
PROVISION FOR INCOME TAXES - - - - -	325,000	210,000
EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS - - -	<u>384,318</u>	<u>211,493</u>
Per common share - - - - -	8.3¢	3.8¢
EXTRAORDINARY ITEMS (note 12) - - - - -	480,060	203,665
NET EARNINGS FOR THE YEAR (note 13) - - - - -	<u>864,378</u>	<u>415,158</u>
Per common share - - - - -	<u>18.8¢</u>	<u>8.6¢</u>

Earnings per common share on a fully diluted basis are not significantly different from those reported above. The earnings per share have been calculated for 1973 on 4,602,728 shares and for 1972 on 4,124,836 shares.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended June 2, 1973

	1973 \$	1972 \$
DEFICIT—BEGINNING OF YEAR - - - - -	6,346,858	6,762,016
Elimination of deficit pursuant to reorganization (note 11) - - - - -	<u>6,346,858</u>	<u>—</u>
	—	6,762,016
Reorganization costs - - - - -	(37,130)	—
Net earnings for the year - - - - -	<u>864,378</u>	<u>415,158</u>
RETAINED EARNINGS (DEFICIT)—END OF YEAR - - - - -	<u>827,248</u>	<u>(6,346,858)</u>

HARDEE FARMS INTERNATIONAL LTD.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended June 2, 1973

	1973 \$	1972 \$
SOURCE OF FUNDS		
Net earnings for the year - - - - -	864,378	415,158
Add: Depreciation - - - - -	225,297	185,694
	<u>1,089,675</u>	<u>600,852</u>
Reduction in mortgages receivable and agreement to sell - - - -	986,472	21,962
Extension of terms—		
Bank advances - - - - -	1,200,000	—
Algonquin Building Credits Limited demand note - - - -	1,633,124	—
Additions to long-term debt - - - - -	201,414	448,586
Forgivable loan—Ontario Development Corporation (note 8) - - -	100,000	—
Common shares issued on stock options - - - - -	—	12,001
Proceeds on disposal of assets held for sale - - - - -	—	1,843,717
	<u>5,210,685</u>	<u>2,927,118</u>
USE OF FUNDS		
Purchase of fixed assets - - - - -	779,750	1,006,079
Reduction of long-term debt - - - - -	947,068	228,644
Reorganization costs - - - - -	37,130	—
Non-current assets of subsidiary at date of acquisition - - - -	275,781	—
Mortgages receivable and agreement to sell from disposal of assets held for sale - - - - -	—	1,666,860
	<u>2,039,729</u>	<u>2,901,583</u>
INCREASE IN WORKING CAPITAL - - - - -	3,170,956	25,535
WORKING CAPITAL DEFICIENCY—BEGINNING OF YEAR—AS RESTATED (note 15) - - - - -	(2,559,053)	(2,584,588)
WORKING CAPITAL (DEFICIENCY)—END OF YEAR - - - - -	<u>611,903</u>	<u>(2,559,053)</u>

HARDEE FARMS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 2, 1973

1. BASIS OF CONSOLIDATION

The consolidated financial statements include all the subsidiaries of the company.

On January 1, 1973 the company acquired all of the outstanding shares of Freeze-Dry Foods Limited; accordingly, the results of its operation have been included in earnings since that date.

2. ACQUISITION AND ACCOUNTING TREATMENT

The following net assets were acquired for cash in the acquisition of Freeze-Dry Foods Limited, which was accounted for as a purchase:

	\$
Assets at book value - - - - -	347,750
Less: Liabilities at book value - - - - -	156,472
	<u>191,278</u>
Excess of purchase price of shares over book value thereof attributed to land - - - -	19,472
Total consideration - - - - -	<u>210,750</u>

3. FOREIGN EXCHANGE

Individual assets and liabilities in U.S. dollars have been stated at par, and an adjustment has been made in the accounts to give effect to the conversion of net current assets in U.S. dollars to Canadian dollars at the rate of exchange prevailing at June 2, 1973.

4. INVENTORIES

Inventories are classified and valued as follows:

	1973 \$	1972 \$
At the lower of cost or replacement cost—		
Foodstuffs and supplies - - - - -	1,111,708	889,708
Citrus - - - - -	—	36,059
Automotive engines and supplies - - - - -	149,446	137,214
	<u>1,261,154</u>	<u>1,062,981</u>
At cost, less amounts written off—		
Containers - - - - -	112,438	61,608
	<u>1,373,592</u>	<u>1,124,589</u>

5. MORTGAGES RECEIVABLE

	Current \$	Long-term \$	\$
10½%, due May 1, 1981, payable \$10,000 principal and interest quarterly - - - - -	17,595	202,241	219,836
7%, due December 29, 1978, payable \$30,000 principal and interest per annum - - - - -	9,011	290,828	299,839
7%, due December 29, 1976, payable \$15,000 principal and interest per annum - - - - -	4,797	140,955	145,752
7%, due January 27, 1977, payable \$20,000 principal and interest per annum - - - - -	7,691	168,155	175,846
7%, due March 6, 1977, payable \$9,000 principal and interest per annum - - - - -	2,377	91,943	94,320
	<u>41,471</u>	<u>894,122</u>	<u>935,593</u>

The long-term portion includes \$691,881 in U.S. funds.

6. INVESTMENT IN SHARES

The company owns approximately 49.9% of the outstanding common shares of Federal Diversiplex Limited at a cost of \$722,039. The interest of the company in the equity underlying this investment amounts to approximately \$1,090,000 (1972—\$1,112,000).

7. ASSETS HELD FOR SALE

Assets held for sale, valued at net realizable value, are as follows:

	\$
Land valued on basis of lease option outstanding and sale agreement pending - - - -	1,659,868
Other lands (approximately 4,600 acres) at values assigned by the directors in 1971 - - -	600,000
	<u>2,259,868</u>



Included in the amount of \$1,659,868 above are the estimated proceeds from a citrus grove sale under negotiation subsequent to the year end.

8. FIXED ASSETS

Fixed assets are as follows :

	1973 \$	1972 \$
Buildings and equipment—at cost - - - - -	4,844,714	3,883,648
Accumulated depreciation - - - - -	1,531,104	1,236,883
	<u>3,313,610</u>	<u>2,646,765</u>
Land - - - - -	686,065	609,031
	<u>3,999,675</u>	<u>3,255,796</u>

A subsidiary has received a loan of \$100,000 from The Ontario Development Corporation, which loan is forgivable at the rate of \$10,000 annually to 1977 and \$50,000 in 1978 if the subsidiary maintains operations at the plant for which the loan was obtained. Based upon the expectation of continuing such operations, the amount of the loan is not reflected herein as a liability and has been applied as a reduction in cost of the related plant and equipment.

9. BANK ADVANCES

Bank advances are secured by a pledge of shares in subsidiaries, assignments of book debts and inventories, and a \$1,500,000 floating charge debenture on Canadian assets.

10. LONG-TERM DEBT

	Current portion \$	Long-term portion \$	Total \$
6½% mortgage due June 1, 1987, payable \$8,125 per annum - - - - -	8,125	118,375	126,500
6% promissory note due January 1, 1981, payable \$5,462 per annum - - - - -	5,462	38,231	43,693
8% mortgage due December 1, 1977, payable \$30,000 principal and interest semi-annually - - - - -	17,352	298,838	316,190
8½% mortgage due June 2, 1979, payable \$2,000 per annum - - - - -	1,500	25,500	27,000
8% mortgage due June 6, 1987, payable \$1,200 per annum - - - - -	1,200	24,900	26,100
8½% mortgage due August 15, 1983, payable \$4,928 principal and interest monthly - - - - -	28,454	351,707	380,161
8% mortgage due August 15, 1983, payable \$25,000 per annum - - - - -	25,000	200,000	225,000
8% convertible notes due December 7, 1976 - - -	—	170,000	170,000
6% convertible notes due December 31, 1976 (note 11) -	—	712,980	712,980
Bank loan due May 31, 1981, payable \$37,500 quarterly -	150,000	1,050,000	1,200,000
Sundry - - - - -	50,571	10,003	60,574
	<u>287,664</u>	<u>3,000,534</u>	<u>3,288,198</u>
Note payable to Algonquin Building Credits Limited - -	23,876	1,633,124	1,657,000
	<u>311,540</u>	<u>4,633,658</u>	<u>4,945,198</u>

The note payable to Algonquin Building Credits Limited is secured by an assignment of U.S. mortgages receivable and a \$2,050,000 floating charge debenture of which \$1,500,000 on Canadian assets is secondary to the security given for bank advances as explained in note 9. By present agreement repayment requirements on this demand note do not exceed collections on the mortgages receivable given as collateral and the current portion shown above equals the current portion of such mortgages.

The long-term portion of \$4,633,658 above includes \$156,606 in U.S. funds.

11. CAPITAL STOCK

During the year approvals were given to reorganize the financial structure of the company pursuant to a compromise or arrangement under Section 134 of the Canada Corporations Act by :

1. The cancellation of the 9,198 issued first preferred shares and the issuance in respect of each such share of 50 common shares of the company for an aggregate consideration of \$25 and a 6% promissory note in the

amount of \$75 bearing interest payable semi-annually from January 1, 1973 to maturity at December 31, 1976 and convertible at any time prior to maturity at the option of the holder into 50 common shares of the company.

2. The cancellation of the 514 issued second preferred shares and the issuance for each such share of 28 common shares of the company for an aggregate consideration of \$55 and 6% promissory note for \$45 bearing interest payable semi-annually from January 1, 1973 to maturity at December 31, 1976 and convertible at any time to maturity at the option of the holder into 30 common shares.
3. The reduction of the paid up capital of the company from \$10,227,574 to \$3,880,716 and the elimination of the deficit of the company in the amount of \$6,346,858.

The effect of the compromise or arrangement on the common share capital is illustrated below :

	Common shares issued	\$
Outstanding—beginning of year - - - - -	4,128,436	9,969,354
Issued on cancellation of first preferred shares - - - - -	459,900	229,950
Issued on cancellation of second preferred shares - - - - -	14,392	28,270
	<u>4,602,728</u>	<u>10,227,574</u>
Elimination of deficit as at May 27, 1972		
through a reduction in paid-up capital - - - - -	—	6,346,858
Outstanding—end of year - - - - -	<u>4,602,728</u>	<u>3,880,716</u>

Of the authorized and unissued common shares, 607,463 are reserved for the following :

Stock options (including 30,000 for officers) exercisable at various dates to August 27, 1974 at 90¢ per share - - - - -	35,000
8% convertible notes exercisable at any time up to December 7, 1973 at \$1.75 per share - - - - -	97,143
6% convertible notes exercisable at any time up to December 31, 1976 at \$1.50 per share - - - - -	<u>475,320</u>
	<u>607,463</u>

12. EXTRAORDINARY ITEMS

Extraordinary items include the following :

	1973 \$	1972 \$
Reduction of income taxes on application of prior years' losses - -	320,060	203,665
Proceeds of life insurance previously carried by subsidiary acquired - -	<u>160,000</u>	<u>—</u>
	<u>480,060</u>	<u>203,665</u>

13. REMUNERATION OF DIRECTORS AND OFFICERS

Directors:

Number—	1973	1972
At year end - - - - -	9	9
During the year - - - - -	9	10
Aggregate remuneration as directors - - - - -	\$1,640	\$1,350

Officers:

Number—		
At year end - - - - -	6	6
During the year - - - - -	6	6
Aggregate remuneration as officers - - - - -	\$134,166	\$118,345

The number of directors who are also officers—

At year end - - - - -	2	1
During the year - - - - -	2	1

14. INCOME TAXES

The companies can reduce income subject to tax and hence income tax charges against earnings by approximately \$2,400,000 because of depreciation and other write offs of fixed assets which have not been claimed for tax purposes.

15. STATEMENT PRESENTATION

The 1972 balance sheet and statement of source and use of funds have been restated to reflect an adjustment to the calculation of the current portion of mortgages receivable.



AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hardee Farms International Ltd. as at June 2, 1973 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 2, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

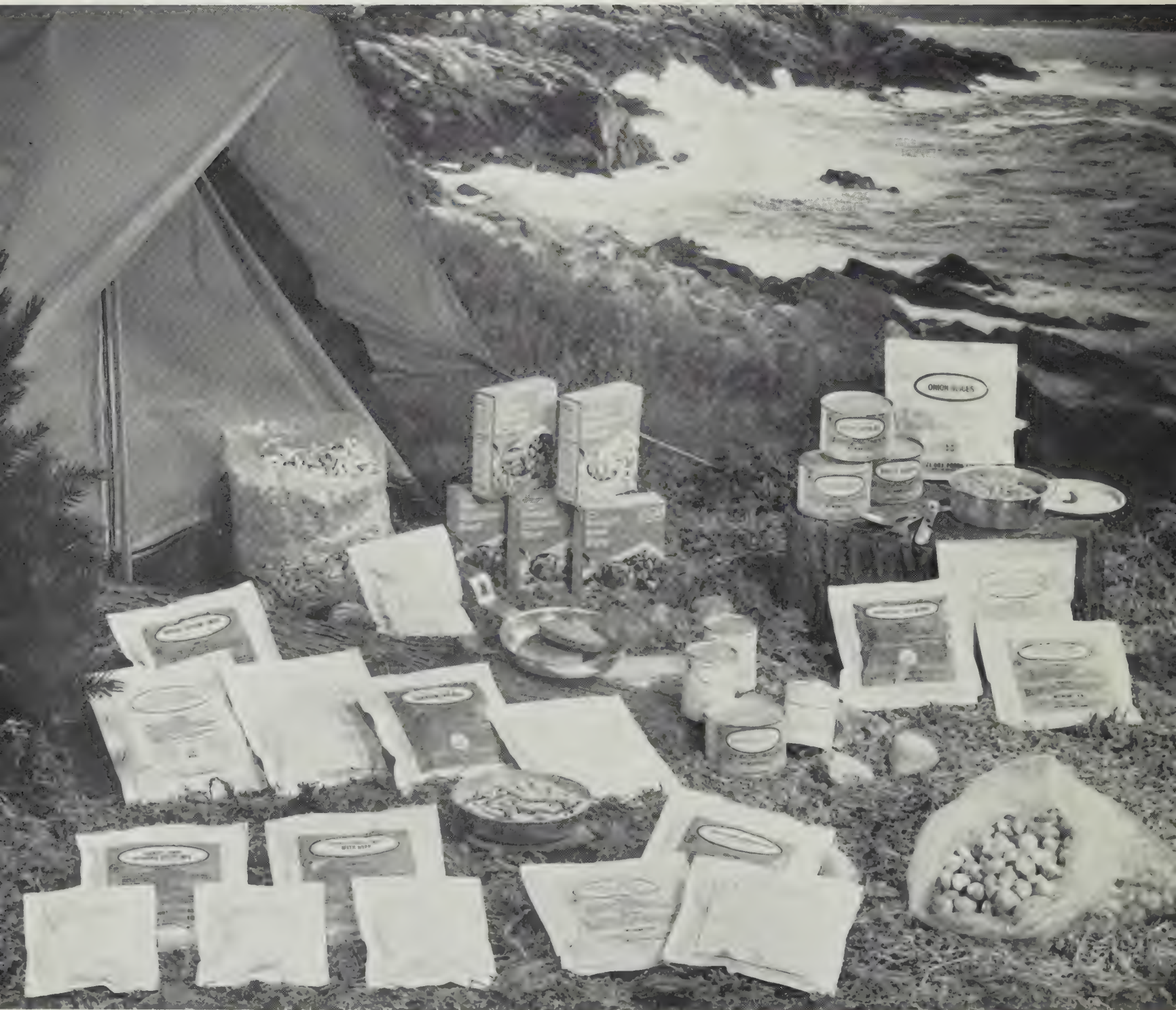
COOPERS & LYBRAND
Chartered Accountants

July 6, 1973





Frozen Vegetables



Freeze-Dry Foods



Main Plant—Oakville, Ontario

FROZEN VEGETABLE DIVISION



Ingersoll Plant



Lambeth Plant



Pea Harvesting



FEDERAL DIVERSIPLEX LIMITED



Main Plant—Bradford, Ontario



Valley View Dairy—Toronto, Ontario

